The Regional Municipality of York

Committee of the Whole
Finance and Administration
May 9, 2019

Report of the Commissioner of Finance

2019 Property Tax Ratios

1. Recommendations

1. The property tax ratios for the 2019 taxation year be established as follows:

Broad Property Class	Proposed 2019 Tax Ratios
Multi-Residential	1.0000
Commercial (incl. office)	1.2794
Industrial	1.5704
Pipelines	0.9190
Farmland	0.2500
Managed Forests	0.2500
Landfill	1.1000

2. Council approve a bylaw to implement the tax ratios using the notional property tax rate calculation adjustment for 2019.

3. The Regional Clerk circulate this report to the local municipalities.

2. Summary

This report identifies proposed property tax ratios for the 2019 taxation year. These ratios are revenue neutral based on actual assessment results, consistent with Council's 2017 decision to implement revenue neutral tax ratios following the 2016 reassessment.

3. Background

Tax ratios influence the share of taxation paid by each class of property

Tax ratios influence the relative share of taxation that is borne by each property class. The tax rate for a given property class is determined by multiplying the residential tax rate by the tax ratio for the class. For example, if the proposed tax ratios are adopted, the tax rate for a property in the commercial class would be 1.2794 times the residential tax rate per one hundred dollars of assessment.

Table 1 shows the tax ratios that the Region has had in place since 2009.

Table 1
Region's Tax Ratios Since 2009 Taxation Year

Property Class*	2009 Ratios	2010 Ratios	2011 Ratios	2012 Ratios	2013-2016 Ratios	2017 Ratios	2018 Ratios	2019 Ratios (Proposed)	Ranges of Fairness**
Reassessment Year	**2008**				**2012**	**2016**			
Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	**1.0000**	1.0000
Multi-Residential	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	**1.0000**	1.0 to 1.1
Commercial (incl. office)	1.2070	1.1800	1.1431	1.1172	1.1172	1.1813	1.2323	**1.2794**	0.6 to 1.1
Industrial	1.3737	1.3575	1.3305	1.3124	1.3124	1.4169	1.4973	**1.5704**	0.6 to 1.1
Pipelines	0.9190	0.9190	0.9190	0.9190	0.9190	0.9190	0.9190	**0.9190**	0.6 to 0.7
Farmland	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	**0.2500**	0.25
Managed Forests	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	**0.2500**	0.25
Landfill	-	-	-	-	-	1.1000	1.1000	**1.1000**	0.6 to 1.1

* Note that tax ratios have only been adjusted for the business classes as Council policy has been to maintain tax ratios for multi-residential, farmland, managed forests and pipelines.

** Ranges of fairness are the ranges of tax ratios established by the Province with the aim to ensure equity among the classes, meaning one dollar of assessment value should generate the same amount of tax revenue regardless of class. In addition, the Ranges of Fairness promote a fairness principle, in which the level of taxation on a class is related to the cost of providing services to that class. Business classes typically consume fewer municipal services than residential classes.

Revenue neutral tax ratios were adopted for 2017 to 2020

The Municipal Property Assessment Corporation (MPAC) is responsible for the assessment of all properties in Ontario. Since the 2009 taxation year, reassessments have taken place every four years, with increases phased in equally over the following four years. For the

2017 to 2020 taxation years, properties have been reassessed to reflect their January 1, 2016 valuation.

In 2017, Council endorsed the use of revenue neutral tax ratios for 2017-2020 taxation years. The effect of revenue neutrality will be to collect the same share of tax revenue from each property class, whether or not the relative assessed value of that class is above or below the average rate of growth.

Since the increase in property values for the residential class resulting from the 2016 reassessment significantly exceeded those in the business classes, "revenue neutrality" will require an increase to the tax ratios for the business classes to achieve the same share of property taxation. The result is that the property taxes for the residential classes will be lower than they would have been if tax ratios had remained at 2016 levels and higher in the commercial and industrial classes.

4. Analysis

Council's decision to adopt revenue neutral tax ratios as a result of the 2016 reassessment means that new revenue neutral tax ratios need to be approved annually based on actual assessment outcomes for each year of the phase-in

As increases to the assessed values are phased in over a four-year period, Council must approve new tax ratios each year to achieve revenue neutrality. These ratios are based on actual assessment outcomes for the year, as the relative share of the total Current Value Assessment (CVA) for each broad property class shifts from year-to-year due to the phase-in of the reassessed values and the addition of new assessment. The 2019 tax ratio outcomes were generated by the Online Property Tax Analysis System ("OPTA") which is an online tool provided by the Government of Ontario.

2019 taxable CVA is 9.9% higher than 2018, of which 7.8% can be attributable to the phasing-in of the 2016 reassessment, and 2.1% to new growth

Table 2 illustrates the increase in total value assessment between 2018 and 2019.

Table 2
Current Value Assessment Comparison

Broad Property Class	2018 CVA ($ millions)	2019 CVA ($millions)	% Increase
Residential	249,613	276,463	10.8
Multi-Residential	2,387	2,658	11.4
Commercial (incl. office)	33,946	35,686	5.1
Industrial	7,659	7,999	4.4
Pipelines	350	390	11.4
Farmland	1,631	1,724	5.7
Managed Forests	66	71	7.2
Total	295,652	324,991	9.9%

The 2019 Current Value Assessment is used as the basis to calculate the revenue neutral tax ratios for 2019 (Table 3).

Table 3
Revenue Neutral Tax Ratios for 2019

	2018 Actual	2019 (Online Property Tax Analysis)
Residential	1.0000	1.0000
Multi-Residential	1.0000	1.0000
Commercial (incl. office)	1.2323	1.2794
Industrial	1.4973	1.5704
Pipelines	0.9190	0.9190
Farmland	0.2500	0.2500
Managed Forests	0.2500	0.2500
Landfill*	1.1000	1.1000

*Currently, the Region has landfill properties as payment-in-lieu only, and not as a taxable property class.

Revenue neutral ratios result in property tax savings for residential property owners

By adopting new revenue neutral ratios in 2019, residential tax payers will save approximately $6.2 million compared to using the 2018 tax ratios. However, the commercial and industrial classes will pay $4.6 million and $1.6 million more respectively.

Table 4
Estimated Tax Shift
Impact to Property Tax Classes for 2019
Continuation of Revenue Neutral Ratios Compared to 2018 Tax Ratios
($ 000s)

Municipality	Residential	Commercial	Industrial	Other	Total
Aurora	(318)	177	50	(0)	(91)
East Gwillimbury	(149)	57	16	(2)	(78)
Georgina	(166)	52	4	(1)	(111)
King	(189)	41	13	(4)	(139)
Markham	(1,824)	1,405	268	(3)	(154)
Newmarket	(358)	283	75	(0)	(1)
Richmond Hill	(1,234)	597	124	(1)	(513)
Vaughan	(1,757)	1,898	996	(4)	1,133
Whitchurch-Stouffville	(254)	94	36	(2)	(126)
PIL					80
Total	(6,249)	4,604	1,581	(18)	-

* Positive figures denote tax expenditures and bracketed figures denote tax savings.

Based on the latest assessment data available, it is estimated that revenue neutrality over four years will result in $28.3 million in property tax savings for the residential property class by 2020. However, the commercial and industrial classes would pay $20.8 million and $7.3 million more respectively. It is estimated that during this period the average single family detached house in the York Region will save $90.0 as a result of the adoption of revenue neutral ratios. The largest beneficiary will be Markham homeowners who will save approximately $101.0 on average, followed by Richmond Hill home owners who will save approximately $97.5.

Despite revenue neutrality, Commercial and Industrial tax ratios are still competitive

Despite revenue neutrality, in 2018 the Region had the lowest tax ratio for commercial properties and second lowest in the industrial class among GTA municipalities (Charts 1 and 2).

Chart 1

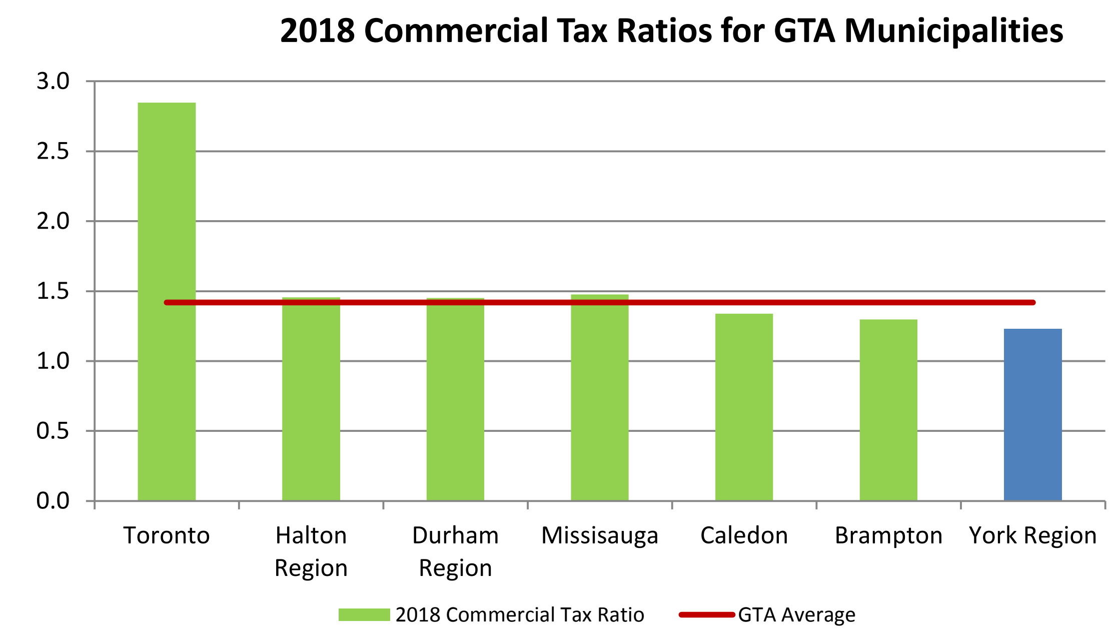
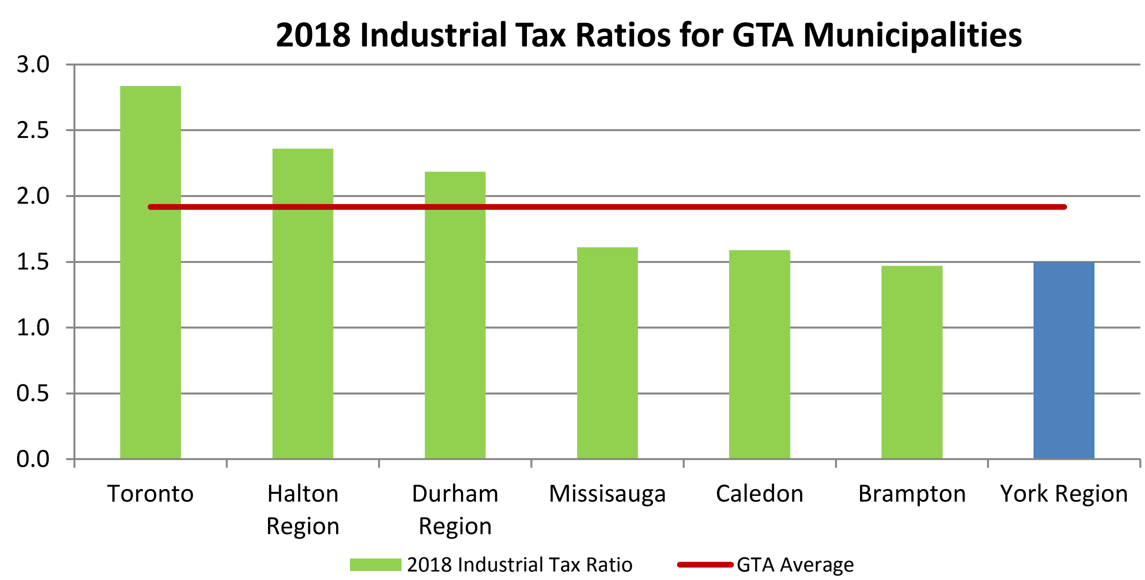


Chart 2



Council approval is required for municipalities to adopt the notional tax rate calculation adjustment

The notional tax rate calculation is an input for determining the revenue neutral tax ratios. Notional tax rates are the tax rates that would raise the same amount of property taxes as the previous year while using the updated assessment roll information for the current year. As the total assessment value increases each year due to assessment value phase-in, the notional tax rate declines to keep revenues at the previous year's level. While the notional tax rate has no impact on the respective tax rates, it is used to explain changes in the tax levies year over year. The notional tax rate is not used to establish the property tax rates that are used to raise the Council-approved operating budget.

In 2016, the province introduced an option for municipalities to adjust the notional tax rate calculation. This option allows municipalities to remove in-year assessment losses due to factual errors and methodological changes when calculating notional tax rates. In calculating the 2019 property tax ratios, staff utilized the notional tax rate adjustment as it provides a more accurate illustration of the impact of assessment growth.

Adopting the provincial methodology for calculating notional tax rates does not materially affect revenue neutral tax ratios

The notional rate calculation adjustment has only immaterial impact on revenue neutral tax ratios. Where this adjustment impacts the final bills would be the overall levy change and disclosure notices, since the overall levy change is calculated by comparing the notional rates as a base rate to the adopted tax rates.

The notional tax rate adjustment option was adopted in 2017 and 2018 and is reflected in the proposed 2019 revenue neutral tax ratios.

5. Financial

The adoption of tax ratios enables the Region to set the tax rates to raise the amount of revenue that Council approves through the annual budget process.

6. Local Impact

Revenue neutral ratios do not eliminate tax shifts between municipalities

While revenue neutrality mitigates the change in the relative tax burden in a property class, it does not eliminate tax shifts amongst municipalities.

7. Conclusion

The proposed 2019 tax ratio will raise the property tax levy requirement that was approved by Council in February 2019.

For more information on this report, please contact Edward Hankins, Director, Treasury Office, at 1-877-464-9675 ext. 71644.

Recommended by:

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